

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 MCT-01

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/083 W

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R 041705Z MAR 77

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 6838

INFO AMEMBASSY BOGOTA

USCINCSO QUARRY HEIGHTS

USCINCLANT NORFOLK VA

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 2266

E.O. 11652: GDS

TAGS: EFIN, PGOV, PORS, PINS, PFOR, PBOR, SOPN, CO, PN,

US, VE

SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 2001

SUMMARY. CIA AFFAIR-- NEW YORK TIMES DROPS THE OTHER SHOE. ADDITIONAL SUSPECTS ARRESTED IN NIEHOUS CASE. COPEI DECIDES TO REJECT PROPOSED SOLUTION TO DIFERENDO. NEW LEGISLATIVE SESSION BEGINS. TAX DISCUSSION INTENSIFIES. TORRIJOS BRIEFS PEREZ ON PANAMA CANAL NEGOTIATIONS. MORE ON BOEING BRIBES. END SUMMARY.

1. CIA AFFAIR--NEW YORK TIMES DROPS THE OTHER SHOE MARCH 1. AFTER THE POLITICAL CLIMATE HAD RETURNED TO NEAR NORMAL FOLLOWING PRESIDENT CARTER'S LETTER TO PRESIDENT PEREZ FEBRUARY 22 LABELING GROUNDLESS AND MALICIOUS ALLEGATIONS THAT PEREZ HAD PERSONALLY RECEIVED CIA PAYMENTS WHILE INTERIOR MINISTER (1962-63), THE NEW YORK TIMES ON MARCH 1 DROPPED THE OTHER SHOE--A STORY ALLEGING THAT THE GOV HAD CONFIDENTIAL

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RECEIVED LARGE SUMS OF MONEY FROM THE CIA DURING PEREZ' TENURE AS INTERIOR MINISTER TO HELP PAY FOR INTELLIGENCE OPERATIONS OF COMMON BENEFIT. PEREZ REACTED IMPETUOUSLY ONCE AGAIN, AND THE GOV ISSUED A LONG DENIAL THE AFTERNOON OF MARCH 1 DENYING THE STORY SWEEPINGLY AND CATEGORICALLY AS WELL AS ACCUSING THE TIMES OF MALICIOUSLY SLANTING THE NEWS AND LIBELING THE DEMOCRATIC GOVERNMENTS OF VENEZUELA.

THE FOREIGN MINISTER EXPRESSED TO US PEREZ' CONCERN OVER THIS SECOND ALLEGATION JUST PRIOR TO RELEASE OF THE COMMUNIQUE. HOWEVER, THE GOV DID NOT INSIST THAT THE USG DENY THESE NEW CHARGES ALTHOUGH IT EXPRESSED HOPE THAT SOMEHOW SUCH LEAKS COULD BE CONTAINED.

THE POT BOILED FOR A DAY, AMID SPECULATION THAT GOV WAS INDEED GOING TO SUE NEW YORK TIMES, AND THAT AD WAS PLANNING TO ORGANIZE A MASSIVE PRO-PEREZ RALLY IN CARACAS TO DEMONSTRATE THE PEOPLE'S SOLIDARITY WITH THEIR PRESIDENT. HOWEVER, BY THE EVENING OF MARCH 2, TEMPERS HAD COOLED, AND PRESIDENT PEREZ TOLD THE PRESS THAT "THE INCIDENT IS TOTALLY CLOSED." HE ALSO SAID THAT NO DECISION HAD BEEN MADE REGARDING POTENTIAL COURT ACTION, BUT IMPLIED GOV WOULD NOT DO SO. A HIGHLY PLACE AD PARTY SOURCE TOLD US THAT THINGS WERE "CALM" AND THAT HE EXPECTED NO FURTHER GOV REACTION.

CARACAS DAILY EL NACIONAL FRONT-PAGED ON MARCH 4 A STATEMENT MADE BY NEW YORK TIMES SPOKESMAN TO THE EFFECT THAT NEWSPAPER IS "COMPLETELY SATISFIED" WITH THE VERACITY OF THE STORY PUBLISHED ON FEBRUARY 19 ALLEGING THAT PRESIDENT PEREZ AND OTHER WORLD LEADERS RECEIVED PYAMENTS FROM THE CIA.

2. ADDITIONAL SUSPECTS ARRESTED IN NIEHOUS CASE. THE PAST WEEK HAS SEEN MORE MOVEMENT IN THE NIEHOUS KIDNAPPING CASE THAN ANY OTHER DURING THE PAST SIX MONTHS. MRS. DONNA NIEHOUS, WIFE OF WILLIAM NIEHOUS, MADE A LIGHTNING 19-HOUR
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VISIT TO CARACAS FEBRUARY 28-MARCH 1 DURING WHICH SHE POSITIVELY IDENTIFIED CARLOS LANZ RODRIGUEZ AS ONE OF THE PARTICIPANTS IN HER HUSBAND'S KIDNAPPING. LANZ WAS ARRESTED NEAR EL TIGRE IN ANZOATEGUI STATE ON FEBRUARY 22. INTERIOR MINISTER OCTAVIO LEPAGE ANNOUNCED MARCH 3 THAT ANGEL COLMENARES WAS DETAINED ALONG WITH LANZ. HE ALSO ANNOUNCED THE ARREST OF LUIS ALBERTO SOLORZANO, DESCRIBED AS THE NUMBER TWO MAN IN THE KIDNAPPING GANG AND THE LINK BETWEEN THE POLITICAL WING OF THE OPERATION AND THE GROUP RESPONSIBLE FOR KEEPING NIEHOUS CAPTIVE, ON FEBRUARY 28 IN MARACAY. THE POLICE ARE CONFIDENT THAT MOST OF THE ACTUAL KIDNAPPERS HAVE NOW BEEN ROUNDED UP.

AT A FEBRUARY 27 PRESS CONFERENCE ON THE ANNIVERSARY DATE OF NIEHOUS' ABDUCTION, LEPAGE MAINTAINED THAT GOV SECURITY AGENCIES HAVE WORKED ON THE CASE DAY IN AND DAY OUT SINCE NIEHOUS WAS SEIZED AND THAT THE INVESTIGATION WILL CONTINUE UNTIL NIEHOUS IS FOUND. "THE ONLY THING REMAINING IS TO FIND OUT WHERE WILLIAM NIEHOUS IS, AND IF

HE IS STILL ALIVE OR DEAD. IF HE IS DEAD, WHERE HIS BODY
WAS BURIED, AND IF HE IS ALIVE, WHERE HE IS BEING HELD,"
LEPAGE STATED. LIKELY COPEI PRESIDENTIAL CANDIDATE LUIS
HERRERA CAMPINS SAID THE FOLLOWING DAY THAT THE GOV WAS

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R 041705Z MAR 77
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C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 2266

PRACTICING "BLACK COMEDY" IN INSISTING THAT THE NIEHOUS CASE
HAS BEEN SOLVED AND SUGGESTED THIS MAY BE BECAUSE OF THE GOV'S
DESIRE TO PROCLAIM "SUPPOSED POLICE EFFECTIVENESS."

3. COPEI DECIDES TO REJECT PROPOSED SOLUTION TO DIFERENDO.
THE EMBASSY HAS LEARNED THAT THE OPPOSITION COPEI PARTY HAS
DECIDED TO TURN THUMBS DOWN ON THE PEREZ ADMINISTRATION'S
PROPOSED SOLUTION TO THE TERRITORIAL WATERS DISPUTE WITH
COLOMBIA. COPEI'S POSITION, TO BE ANNOUNCED BEFORE MARCH 12,
REJECTS THE GOV'S PROPOSALS ON THREE GROUNDS: 1) COPEI DOES
NOT AGREE WITH THE PLACEMENT OF THE WEST-EAST DEMARCATION
LINE ACROSS THE GULF OF VENEZUELA, 2) COPEI IS OPPOSED TO THE
LINKING OF AN AGREEMENT FOR JOINT COLOMBIAN-VENEZUELAN
EXPLOITATION OF THE GULF'S SUBMARINE RESOURCES TO A
SETTLEMENT OF THE DIFERENDO, AND 3) COPEI DISAGREES WITH THE
PROPOSED TERMS FOR JOINT EXPLOITATION. COPEI'S REFUSAL
TO GO ALONG WITH THE PROPOSED SOLUTION, COMING ON THE
HEELS OF THE OPPOSITION MEP PARTY'S REFUSAL, (CARACAS 1488)
VIRTUALLY KILLS ANY HOPE PRESIDENT PEREZ MAY STILL HAVE
HELD TO REACH AGREEMENT ON THE LONG-STANDING DISPUTE
DURING HIS TERM OF OFFICE.
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4. NEW LEGISLATIVE SESSION BEGINS. BOTH CHAMBERS OF CONGRESS RECONVENED MARCH 2 TO BEGIN THE 1977 LEGISLATIVE SESSION WITH THE ELECTION OF CONGRESSIONAL OFFICERS. THE VOTING PRODUCED NO SURPRISES AS, IN PRO-FORMA STYLE, ALL THE CURRENT OFFICE HOLDERS WERE RE-ELECTED, MOST PROMINENTLY, 75-YEAR-OLD AD WARRIOR GONZALO BARRIOS AS SENATE PRESIDENT AND THE 34 YEAR-OLD RISING STAR OF COPEI, OSWALDO ALVAREZ PAZ, AS PRESIDENT OF THE CHAMBER OF DEPUTIES. AD AND COPEI THUS CONTINUE THEIR INFORMAL AGREEMENT TO KEEP THE PEACE BY APPORTIONING LEADERSHIP POSITIONS IN THE CONGRESS. IN THIS LAST CONGRESSIONAL SESSION BEFORE THE 1978 ELECTION YEAR, VENEZUELAN LAWMAKERS FACE A SPATE OF PROPOSED LEGISLATION THAT INCLUDES A MAJOR TAX REFORM BILL AND GOVERNMENT REORGANIZATION--44 PROPOSED STATUTES IN ALL. SOME--THE BILL ON EDUCATION FOR EXAMPLE--HAVE BEEN STALLED IN COMMITTEE FOR SEVERAL YEARS. IN THEIR ACCEPTANCE SPEECHES BOTH BARRIOS AND ALVAREZ WARNED THAT A MAJOR TASK OF THE CONGRESSIONAL LEADERSHIP WILL BE TO KEEP THE SOLONS' ATTENTION ON BUSINESS AS THE ELECTION CAMPAIGN HEATS UP.

5. TAX DISCUSSION INTENSIFIES. DISCUSSION OF THE GOVERNMENT EIGHT PART TAX REFORM PROPOSALS INTENSIFIED DURING THE WEEK ENDING WITH THE FORMAL OPENING OF CONGRESS. A SPECIAL TRIPARTITE COMMISSION (GOVERNMENT, LABOR, PRIVATE SECTOR) WAS UNABLE TO REACH AGREEMENT ON RECOMMENDATIONS TO THE PRESIDENT REGARDING CHANGES IN THE TAX REFORM PROPOSALS. FORMER MINISTER OF FINANCE DR. LUIS ENRIQUE OBERTO, CHARGED THAT THE TAX PROPOSALS WOULD STIMULATE INFLATION IN THE COUNTRY. THE COPEI NATIONAL COMMITTEE REITERATED ITS OPPOSITION TO THE REFORMS PROPOSED BY THE GOVERNMENT. THE BANKER'S ASSOCIATION SAID THAT 80 PERCENT OF THE PROPOSED NEW TAXES WOULD BE BORNE BY THE CONSUMER. ON THE POSITIVE SIDE, THE NATIONAL ECONOMIC COUNCIL SAID THE PROPOSALS WOULD STIMULATE BOTH PRODUCTION AND SAVINGS. AND, IN A SPEECH TO CONGRESSIONAL DELEGATES FOLLOWING THE FORMAL OPENING OF THE NEW

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CONGRESSIONAL SESSION, PRESIDENT PEREZ PROMISED THAT TAX REFORMS WOULD PASS THE CONGRESS THIS YEAR AND GO INTO EFFECT IN 1978.

6. TORRIJOS BRIEFS PEREZ ON PANAMA CANAL NEGOTIATIONS. THE GOV ANNOUNCED THAT PANAMANIAN PRESIDENT TORRIJOS FLEW TO VENEZUELA THE AFTERNOON OF MARCH 3 ACCOMPANIED BY MINISTERS

GONZALEZ REVILLA AND ROMULO ESCOBAR AND ADVISER ROLI GONZALEZ. THE PANAMANIAN REPORTEDLY BRIEFED PRESIDENT PEREZ AND VENEZUELAN FOREIGN MINISTER ESCOBAR FOR SEVERAL HOURS ON THE STATUS OF THE PANAMA CANAL NEGOTIATIONS.

7. MORE ON BOEING BRIBERY. CARACAS DAILY EL NACIONAL FRONT-PAGED ON MARCH 4 A WIRE SERVICE DESPATCH (EFE) FROM WASHINGTON TO THE EFFECT THAT OFFICIAL DOCUMENTS REVEAL THAT 52 BOEING CLIENTS ARE SUSPECTED OF HAVING RECEIVED KICKBACKS IN ORDER TO BUY BOEING AIRCRAFT. THE DESPATCH STATES THAT AMONG THOSE SUSPECTED ARE THE GOVERNMENTS OF VENEZUELA, CANADA AND EGYPT AS WELL AS THE PORTUGUESE AIR FORCE.

8. OTHER REPORTING THIS WEEK INCLUDED THE NIEHOUS KIDNAPPING (CARACAS 2053 AND 2117), REACTION TO SECOND NEW YORK TIMES STORY (CARACAS 2150, 2153, 2230 AND 2262), VENEZUELAN NEWS MAGAZINE CHARGES OCCIDENTAL PETROLEUM BEHIND NEW YORK TIMES STORY (CARACAS 2091, 2132, AND 2149), U.S. GOV LEGAL ASSISTANCE AGREEMENT ON BOEING (CARACAS 2030), GOV ACCEPTS APPLICATION OF U.K. LAW TO \$1.2 BILLION LOAN (CARACAS 2189), VENEZUELA TO JOIN GATT (CARACAS 2144), FISHING OFF U.S. COAST AND FISHERY CONSERVATION ZONE (CARACAS 2088, 2087 AND 2089), AND GOV SEEKS APPROVAL OF BS. 4,874 MILLION ADDITIONAL CREDIT.
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Message Attributes

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